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Food Costs... From Farm to Retail

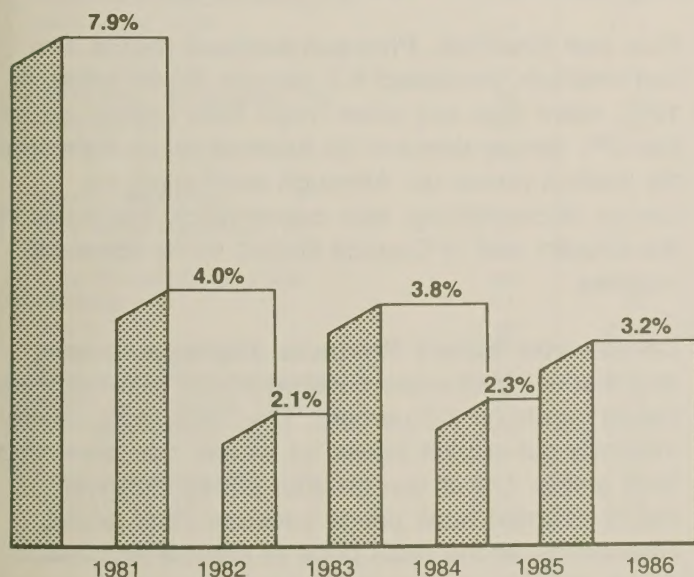
What's happening to food costs? How much are they changing, and why? How much of the food dollar goes to the farmer and how much to food processors and marketers? Because of the great interest in these questions, Congress has directed the U.S. Department of Agriculture (USDA) to study them regularly and report its findings. This pamphlet, from USDA's Economic Research Service, brings you up to date on the answers, focusing on developments during 1986.

Food Prices Rose in 1986

Food prices, as measured by the Consumer Price Index (CPI), rose 3.2 percent in 1986, slightly more than the 2.3-percent rise in 1985. But the increase nearly equaled the average annual 3-percent increase since 1981 when there was a sharp slowing in the rate of inflation.

Food prices rose slower at supermarkets and other grocery stores than at eating places, continuing the

Food prices rose moderately



CPI, annual averages.

This pamphlet was prepared in the National Economics Division of the Economic Research Service by Denis Dunham, and is based on a more detailed report. See page 8 for information on how to obtain it. The Economic Research Service carries out research on many aspects of food economics of concern to consumers, farmers, and the food industry.

Changes in Consumer Price Index for food and other items

Year	Food			CPI (all items)	All items less food
	Total	At home	Away from home		
Percent					
1980	8.6	8.0	9.9	13.5	14.6
1981	7.9	7.3	9.0	10.4	10.9
1982	4.0	3.4	5.3	6.1	6.6
1983	2.1	1.1	4.4	3.2	3.4
1984	3.8	3.7	4.2	4.3	4.4
1985	2.3	1.4	4.0	3.6	3.9
1986	3.2	2.9	3.9	1.9	1.6

Data from Bureau of Labor Statistics.

trend of recent years. Prices at grocery stores went up 2 percent while restaurant meal prices climbed 3.9 percent, about the same amount as in 1984 and 1985. However, food prices in grocery stores rose much more than in the previous year, mainly because prices of meat, poultry, and fish declined slightly in 1985 and then rose 4.3 percent in 1986.

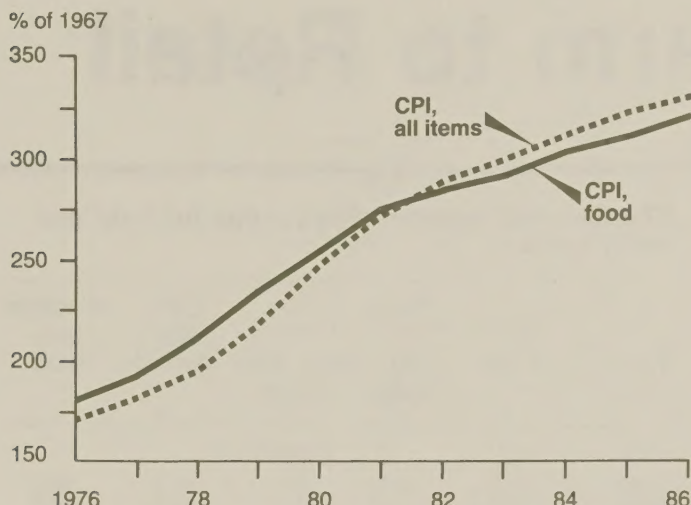
But the rise in retail prices was held down in 1986 because plentiful food supplies pushed down the prices farmers received for commodities for the second year. The farm value of foods declined 1.3 percent, reflecting large supplies, a decline in agricultural exports, and the 1985 farm act that set lower support prices for grains. Retail food prices were tempered by the economy's reduced inflation, which slowed the rise in marketing costs such as packaging, transportation, and energy.

Increases in consumer demand for food, reflecting modest gains in income and lower unemployment, were not sufficient to greatly inflate food prices.

Food Prices Up More Than Average

Before 1986, food prices rose by a smaller amount than the overall CPI for 7 consecutive years. Food prices rose more rapidly than the CPI in 1986 for all consumer products and services, 3.2 versus 1.9 percent. Among the major items in the CPI, prices of apparel and upkeep rose 0.9 percent, housing 2.9 percent, and medical care 7.5 percent. But prices of

Food prices rose less than other consumer prices



Source: Consumer Price Index, Bureau of Labor Statistics, U.S. Department of Labor.

transportation services declined 3.9 percent. Inflation was lower in 1986 than in any year since 1965, primarily because of the dramatic drop in energy prices, especially from crude oil prices.

Retail Prices of Most Foods Rose

Although prices of most foods that we buy at the supermarket averaged higher in 1986, price changes varied widely among the various food groups. Prices of red meat, the largest food spending category (accounting for about a fourth of the CPI's index for food consumed at home) increased 3.2 percent. Poultry prices averaged 7.5 percent higher and fish and seafood prices jumped 9.2 percent. Coffee prices soared 25.8 percent higher in 1986. Prices of cereals, baked goods, and other highly processed foods rose 2-3 percent. Dairy prices remained constant. Prices were unchanged or lower for some staple foods, including a half-gallon of milk and a pound of ground beef, sugar, and flour.

Here's a wrapup of price changes at the supermarket last year.

Meat. Prices of beef and veal averaged only 0.6 percent higher in 1986 than in 1985. Large production held down prices for the fourth consecutive year. Increased beef supplies have resulted partly from a further reduction in the cattle herd which began in 1982. The large supplies dropped beef and veal prices 2 percent below 1982 prices.

Retail pork prices advanced 8.2 percent from 1985 to 1986. Third-quarter prices rose sharply due to low pork production, reduced cold storage stocks of

pork, and a decline in pork imports. Before last year's increase, pork prices had been stable since 1982.

Poultry and Eggs. Despite a 5-percent increase in production, retail poultry prices averaged 7.5 percent higher. Prices kept rising as producers tried to meet consumer demand. Demand for broiler chicken was strengthened by rising pork prices and heavy promotion and sales of new chicken items by fast food chains. Broiler prices also climbed when severe heat in the Southeast slowed the summer's broiler output. Although prices were higher, poultry consumption increased to 73 pounds per person, 3 pounds more than in 1985 and about 10 pounds more than in 1982.

Egg prices averaged 6.9 percent higher in 1986 than in 1985. Egg prices declined sharply in 1985 following a record high in 1984 because of shortages stemming from influenza outbreaks. Per capita egg consumption declined about 1 percent last year, continuing a long-term trend.

Dairy Foods. Retail prices of milk and other dairy products remained unchanged in 1986, the first time no increase has been recorded in about two decades. Prices of fresh milk and cream went down 0.5 percent, but prices of ice cream and other processed dairy products rose 1 percent. A Federal dairy termination program to reduce the milk cowherd cut milk production, but only slightly affected retail prices because the program reduced surplus supplies, not consumer milk supplies.

Fish and Shellfish. Prices of seafood, that is, fish and shellfish, increased 9.2 percent above prices in 1985, more than any other major food component of the CPI. Strong demand for seafood and a tight supply pushed prices up. Although combating the danger of overfishing, new conservation measures in this country and in Canada limited some domestic supplies.

Cereals and Bakery Products. Higher processing and marketing charges boosted prices of cereals and baked goods by 2.8 percent. The 1985 farm act dramatically cut market prices for wheat, rice, and other food grains. Lower raw product prices, however, hardly affected retail prices because most (about nine-tenths) of the retail price of cereals and baked goods goes to pay processing and marketing costs.

Processed Fruit and Vegetables. Processed fruit prices in 1986 averaged below 1985 prices. Prices for most processed fruit remained fairly stable, but frozen concentrated orange juice prices fell 15 percent.

Prices for processed vegetables remained stable as supplies adequately met demand. Consumption data show that canned and frozen vegetable use has fallen off in recent years.

Fats and Oils. The fats and oils component of the food CPI fell gradually, reflecting a 6-percent increase in world supplies of vegetable oils. Retail prices for shortening, salad oils, and margarine averaged 2.2 percent lower in 1986. Retail prices for nondairy substitutes and peanut butter increased slightly.

Nonalcoholic Beverages. Nonalcoholic beverages averaged 5.9 percent higher in 1986, primarily because coffee prices soared 26 percent. A severe drought in Brazil (which supplies about 25 percent of U.S. coffee) reduced the crop there by 58 percent. Retail prices of soft drinks rose about 1 percent.

Fresh Fruit and Vegetables. Fresh fruit prices averaged only 2.1 percent higher in 1986 as larger citrus supplies helped to dampen price increases. Citrus trees damaged by freezes in the past partially recovered and yields were much improved.

How register tapes compared: Average U.S. food prices

Item and unit size	1985	1986
Some prices fell. . .		
Ground chuck, 100% beef, 1 lb.	\$1.68	\$1.63
Round beef roast, boneless, 1 lb.	2.46	2.44
Milk, whole, ½ gal.	1.13	1.11
Rice, long grain, uncooked, 1 lb.	.47	.45
Sugar, white, 1 lb.	.35	.34
Shortening, veg. oil blend, 1 lb.	.88	.87
Lettuce, 1 lb.	.54	.53
Orange juice, frozen, 1 lb.	1.75	1.54
Some prices rose. . .		
Pork chops, center cut, 1 lb.	2.34	2.59
Chicken, 1 lb.	.76	.84
Eggs, Grade A large, 1 doz.	.80	.87
Potatoes, 1 lb.	.21	.24
Bacon, 1 lb.	1.94	2.08
Frankfurters, all meat, 1 lb.	1.81	1.93
Cheese, American processed, 1 lb.	2.53	2.60
Apples, red delicious, 1 lb.	.68	.77
Ice cream, regular, ½ gal.	2.30	2.36
Peanut butter, 1 lb.	1.54	1.60
Cookies, chocolate chip, 1 lb.	1.94	1.99
Potato chips, 1 lb.	2.61	2.68
Bread, white, 1 lb.	.55	.56
Coffee, ground, 1 lb.	2.58	3.43
Others stayed the same. . .		
Flour, 1 lb.	.21	.21
Tomatoes, canned, 1 lb.	.52	.52

Source: Bureau of Labor Statistics,
U.S. Department of Labor.

Fresh vegetable prices rose 4 percent. The Southeast's drought did not significantly affect prices because that area supplies only about 2 percent of domestic commercial vegetables. A record potato harvest in the fall of 1985 (13 percent larger than the year before) reduced retail potato prices by 5 percent in 1986 and held down the CPI for fresh vegetables.

Farm Value Dropped

A decline in farm prices of food commodities for the second year restrained inflation of retail food prices for 1986. The farm value (what farmers receive) of USDA's "market basket" of foods fell 1.3 percent in 1986, which followed a 7.1-percent decline in 1985 (see box). With the past 2 years' large decline, the 1986 farm value of foods was lower than the value in 1982 when expanding crop and livestock production and weak demand began to depress prices.

Farm values fell mainly for food grains, oilseeds, and milk. Farm prices of hogs, poultry, and eggs were higher in 1986. Farmers received 3.3 percent more for red meat in USDA's shopping cart, reflecting higher hog prices. For 1 pound of pork selling for \$1.78 in 1986, hog producers received 82 cents for the equivalent quantity of live animal (1.7 pounds), 11 cents more than in 1985. Farm value of both poultry and eggs also rose. Farmers received 46

About the Market Basket

USDA uses its market basket concept to track price changes for commodities farmers sell and the foods consumers buy in retail foodstores. The market basket contains the average quantities of domestically produced food for at-home consumption purchased in a base period. Changes in retail prices of the market basket are components of the Consumer Price Index (CPI) for all food, excluding imports, fish, and shellfish.

The **farm value** represents prices farmers receive for the raw commodities equivalent to foods in the market basket.

The **farm-to-retail** price spread is the difference between the retail price and farm value. The price spread is the charge for processing, distributing, and retailing foods.

The **farm value share** is the amount the farmer gets from the dollar consumers spend in retail foodstores.

cents of the average retail price of 84 cents per pound of frying chicken, about 6 cents more than in 1985. Farmers received 54 cents for a dozen eggs selling for 87 cents in the store, 2 cents more than in 1985.

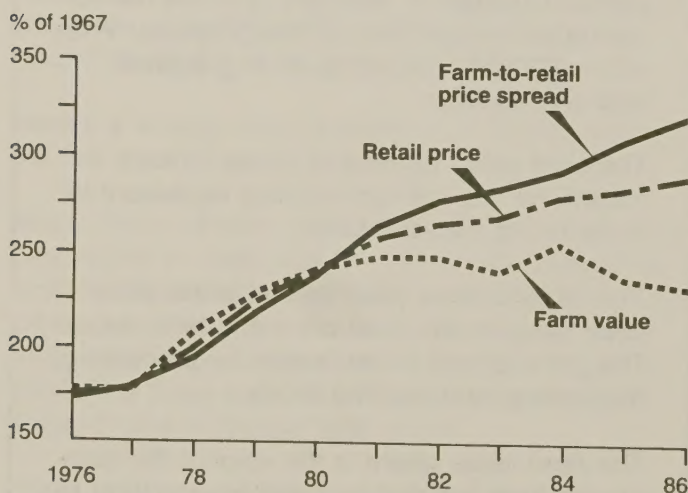
Lower producer prices for milk reduced the farm value of dairy products by 3.2 percent. A half-gallon of fluid milk retailing for \$1.11 returned the producer about 54 cents, 2 cents less than in 1985. The farm value of fats and oils declined 27 percent, mainly because of lower prices for soybeans, the principal source of oil used in shortening and margarine. The farm value of cereals and baked goods fell 19 percent, reflecting a decline in wheat prices.

Farmers received only 3.5 cents for the wheat in a 1-pound loaf of white bread selling for 56 cents in supermarkets, 0.6 cent less than in 1985. The farm value of other bread ingredients, mainly shortening and sweetener, was 0.5 cent, 0.2 cent less than in 1985. The farm value of fresh fruit and vegetables decreased by 4 percent, reflecting larger supplies, particularly of citrus, in 1986.

Market basket of foods produced on U.S. farms

Year	Farm value of food	Retail store price	Farm-to-retail price spread	Farm value share of retail price
	-----Percent change-----		Percent	
1980	5.1	7.2	8.6	37
1981	2.8	7.7	10.5	36
1982	.2	3.6	5.5	34
1983	-2.2	.9	2.5	33
1984	5.4	3.9	3.2	34
1985	-7.1	1.2	5.5	31
1986	-1.3	2.2	3.7	30

Retail price, farm value, and price spread for food



Data for a market basket of foods sold in retail stores. Farm value is prices received by farmers for commodities. Price spread represents all charges for processing and distribution.

Farm Value Share of Food Price Dropped

The farm value share is what the farmer receives from the dollar the consumer spends for foods in retail foodstores. Over time, the share reflects relative changes in farm and retail food prices. A decline in the share means that prices received by producers have declined in relation to prices in foodstores.

In 1986, the farm value of a market basket of food averaged 30 percent of the retail cost, down from 31 percent in 1985 and 34 percent in 1984. The farm share of the food dollar declined because abundant food supplies pushed down farm prices while rising food processing and distributing charges boosted retail prices. The size of the farm value share is not a direct measure of the welfare of producers, but a decrease in the short run often accompanies a decline in farm income. Net farm income in 1986 is expected to be between \$28 and \$32 billion, compared with \$30.5 billion in 1985.

Farm value shares vary greatly among foods. Farm value is a much larger percentage of the retail price of meats, eggs, poultry, and dairy products than for most other foods. For example, the 1986 farm value share was 54 percent for Choice beef, 62 percent for eggs, and 55 percent for broiler chicken. Thus, changes in prices received by farmers for these commodities usually affect retail food prices the most. For example, higher farm prices for eggs and poultry caused much of the increase in retail egg and poultry prices. Cattle prices declined in 1986, and Choice beef prices went down.

Farm value share of foodstore prices

Food	1986 retail price	Farm value	Farm value share of retail prices
Eggs, Grade A large, 1 doz.	\$0.87	\$0.54	62%
Choice beef, 1 lb.	2.31	1.24	54
Chicken, broiler, 1 lb.	.84	.46	55
Milk, 1/2 gal.	1.11	.55	49
Frozen orange juice, 12 fl. oz.	1.07	.39	37
Pork, 1 lb.	1.78	.82	46
Sugar, 1 lb.	.34	.13	39
Cheese, natural cheddar, 1 lb.	3.05	1.10	36
Flour, wheat, all purpose, 5 lbs.	1.04	.28	27
Shortening, 3-lb. can	2.60	.46	18
Margarine, 1 lb.	.79	.13	16
Peanut butter, 1 lb.	1.60	.44	27
Rice, long grain, 1 lb.	.45	.07	16
Potatoes, Northeast, 10 lbs.	1.56	.50	32
Oranges, Calif., 1 lb.	.48	.08	17
Lettuce, 1 lb.	.54	.06	11
Potatoes, frozen, French fried, 1 lb.	.70	.08	11
Tomatoes, 1-lb. can	.51	.05	9
White bread, 1 lb.	.56	.04	7

Computed from unrounded data.

The farm value of foods that come from grains and oilseeds represents a small share of the retail price. Last year, farmers received about 7.5 percent of the retail price of cereals and baked goods and 19 percent of the retail price of fats and oils. Thus, declines in the farm value of these foods are more likely to be offset by rising processing and marketing costs. For example, although the farm value of commodities used in cereals and baked goods fell 19 percent (representing 1.4 percent of the retail price, based on a 7.5-percent share), retail prices of these foods rose 2.8 percent.

Farm-to-Retail Price Spread Widened

The farm-to-retail price spread rose 3.7 percent in 1986, a smaller increase than in 1985. Several factors widened the price spread, including greater use of some inputs per unit of output (such as labor in food retailing and advertising), higher profit margins on food sales, and the time lag for lower farm prices to pass through the marketing system. The amount of labor used in food retailing increased faster than output, resulting in lower productivity in food retailing. Prices of most inputs used in the food industry changed little last year.

As measured by a food marketing cost index, prices of inputs used in handling, processing, and retailing food commodities declined by about 1 percent in 1986 mainly because energy rates and the hourly labor cost index for the food industry declined. Hourly earnings of food retailing workers dropped about 4 percent in 1986, while earnings in manufacturing

Price spreads for beef stabilize while pork spread widens

Meat	Retail price per pound	Farm value ¹	Farm-to-retail price spread	Farm value share of retail price
	-----Dollars-----			Percent
Choice beef:				
1980	2.38	1.45	0.93	61
1981	2.39	1.39	1.00	58
1982	2.42	1.40	1.02	58
1983	2.38	1.36	1.02	57
1984	2.40	1.40	1.00	58
1985	2.33	1.27	1.06	55
1986	2.31	1.24	1.06	54
Pork:				
1980	1.39	.63	.76	45
1981	1.52	.70	.82	46
1982	1.75	.88	.87	50
1983	1.70	.77	.93	45
1984	1.62	.77	.85	48
1985	1.62	.71	.91	44
1986	1.78	.82	.96	46

¹For quantity of live animal equivalent to 1 retail pound; for beef, 2.4 pounds and for pork, 1.7 pounds, minus byproduct allowance.

rose about 2 percent. Labor contracts negotiated in recent years are partially the reason for lower average hourly earnings in food retailing. Many of these contracts established a two-tier wage system for supermarket employees whereby new hires have a lower wage scale than existing workers. In addition, many chain stores have closed in recent years. Even though many of these stores subsequently reopened, the workers usually were paid lower wages.

Annual changes in farm-to-retail price spreads among food groups differ because of large variations in farm prices, the normal lag in retail price adjustment, and differing rates of increase in marketing costs. Last year, price spreads increased from about 2 to 6 percent for all 10 major food groups in the market basket. The farm-to-retail spread for red meats increased about 3 percent, about half as large as in 1985 when the price spread for Choice beef increased because lower cattle prices were not fully reflected at the retail meat counter. The beef spread reached a record-high \$1.17 per pound in July 1985 as a large supply of overfinished cattle burdened the market, resulting in sharply lower cattle prices. The spread narrowed later and averaged \$1.06 for the year, about 6 percent higher than in 1984. There was no change in the price spread for beef last year. However, the price spread for pork rose 5 cents per retail pound, reflecting a sharp rise in retail pork prices as hog slaughters declined and marketing costs rose per unit sold because slaughtering plants operated at a smaller volume.

The price spread for bakery and cereal products widened about 5 percent as retail prices rose 5.4 percent for cereals and 2.7 percent for baked goods, partly from the lack of price competition in the cereal industry and rising advertising and promotion costs. The large increase in the spread also reflects steep declines in farm values of food grains and other farm ingredients and the lag of several months before prices reflect the lower cost of ingredients.

The price spread for dairy products rose about 2.5 percent in 1986, reflecting a drop in the farm price of milk and brisk sales of dairy products that may have slowed price declines at retail.

The price spread for poultry, which increases less than most other foods over time, went up 6 percent in 1986 from usually large variations in farm prices and the time lag in price changes at retail.

There also has been little change over time in the spread between the retail price and farm value of eggs. The price spread for eggs rose by 6 percent last year, following a decline of that much in 1985.

Price spreads for fresh fruit and vegetables increased about 4 percent as retail prices rose in 1986, even though supplies increased and grower prices declined. Higher retail prices reflect rising consumption.

Consumers Spent More on Foods

During 1986, consumers spent \$361 billion for foods produced on U.S. farms, \$15.7 billion (about 4.5 percent) more than in 1985. This amount includes purchases of farm foods in foodstores, about 63 percent of the total, and at away-from-home eating places. However, this figure does not include the money spent for imported food and seafood. Higher food prices, growth in restaurant sales, and more buying from service departments of supermarkets (such as bakeries and delicatessens) boosted spending for domestically produced food. Preliminary data indicate that consumers also bought slightly more food per person, especially consuming more poultry, dairy products, fats and oils, and citrus fruit.

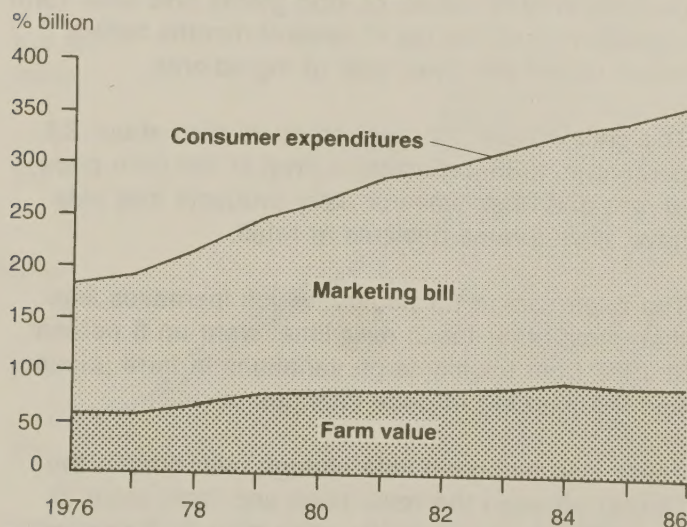
What consumers spent on foods from U.S. farms

Year	Expenditure ¹	Marketing bill	Farm value	Farm value share of expenditures ²
	-----Billion dollars-----			Percent
1976	183.3	125.0	58.3	32
1980	264.4	182.7	81.7	31
1982	298.9	215.2	83.7	28
1984	332.0	240.6	91.4	28
1985	345.4	257.1	88.3	26
1986	361.1	272.1	89.0	25

¹Includes spending at both foodstores and eating places.

²This share is lower than the share for the market basket because it includes spending in eating places, which is heavily weighted by food service costs.

Marketing bill, farm value, and consumer expenditures for farm foods



Data for domestically produced farm foods purchased by civilian consumers for consumption both at home and away from home.

About 25 percent, or \$89 billion, of last year's food spending went back to farmers. This share is a weighted average of the 30-percent farm share of food at home and the much lower 14-percent share of away-from-home food spending. The remaining \$272 billion—the marketing bill—went to the food industry for handling, processing, and retailing food-stuffs after they left the farm. Practically all of last year's rise in consumer expenditures on farm foods went to the marketing bill, which rose about \$15 billion in 1986.

Higher Labor Costs Added Most to Marketing Bill

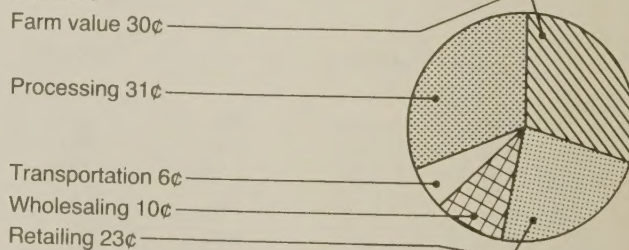
About \$7 billion of the \$15 billion marketing bill increase can be traced to higher labor costs. Packaging materials and food containers added another \$1 billion. Industry profits also climbed in 1986. Here's USDA's analysis of what happened to food industry costs for:

Labor. Total food industry labor costs rose about 6 percent to about \$123.5 billion in 1986, due mainly to a substantial rise in employment and some increases in employee salaries and wages. Labor costs in the food industry were about 34 percent of total consumer food spending and 40 percent larger than the farm value.

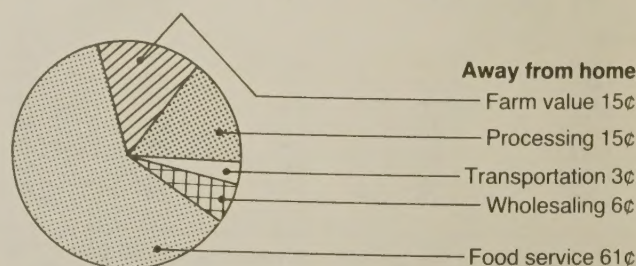
The increase in labor costs, while a larger dollar amount, represented a smaller percentage increase than in 1985 because average weekly earnings of workers in food retailing dropped and were nearly stable in food wholesaling and eating places. However, food retailing employment rose 5.5 per-

Where the food dollar goes at home and away

At home



Away from home



1986 data.

cent, due in part to the rapid growth of service departments, such as bakeries, in supermarkets. Employment rose about 4 percent in food wholesaling and eating places and 2 percent in food manufacturing.

Labor costs for the food industry have been tempered by the slower general inflation rate and by labor agreements with workers (particularly in retailing) that provided small wage increases, reduced pay for holiday and evening work, and reduced benefits, such as vacation time.

Packaging. Costs for food containers and packaging materials rose in 1986, mainly because more food products required greater use of shipping boxes, food containers, and plastic materials. At \$29 billion, these costs were about 8 percent of total consumer expenditures for farm foods.

Transportation. Costs of transporting foods rose about 2 percent to about \$17 billion in 1986, due to a larger volume of food marketed. Railroad freight rates for food products were nearly stable. Truck rates for hauling produce and other foods were held down by lower diesel fuel prices and strong industry competition from an increased number of independent truckers.

Energy. The energy bill for food processors, wholesalers, and retailers was about \$13.5 billion in 1986, about 4 percent of consumer expenditures for farm foods. Energy costs rose sharply through 1981, but the rate of increase slowed markedly in the past 4 years. Last year, an abrupt drop in petroleum prices lowered natural gas and diesel fuel prices. Electric rates, however, rose about 1 percent.

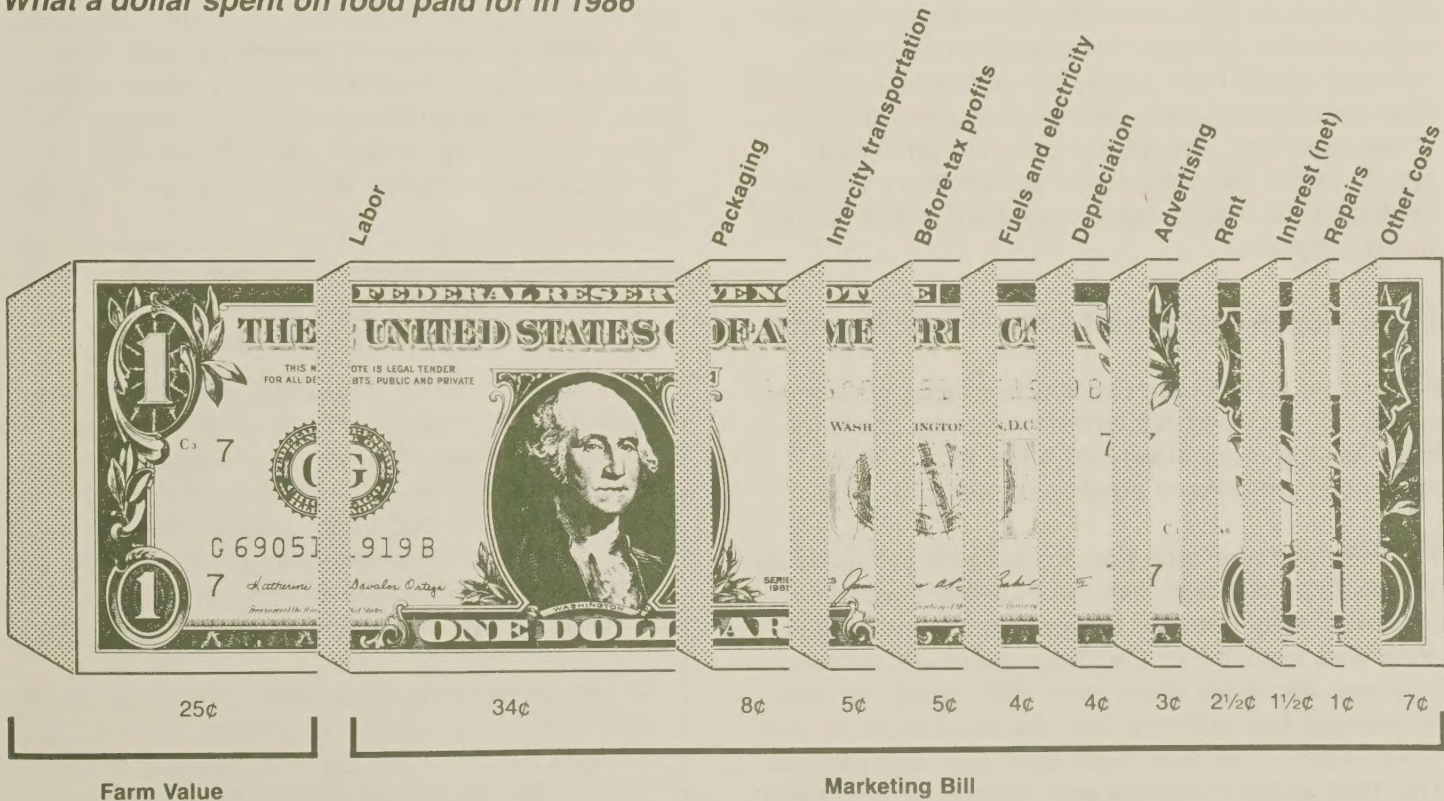
Food Industry Profits Rose

Dollar profits in the food industry rose in 1986, mainly from increased sales. Food industry profits (before taxes) from marketing foods of domestic origin were about \$18 billion, or 5 percent of consumer spending for farm foods.

Based on U.S. Department of Commerce data for the first 9 months of 1986, aftertax profits of manufacturers of food and kindred products were 3.9 percent of sales in 1986, down slightly from 1985. Returns on stockholders' equity also declined slightly to 14.7 percent. Profit margins have been held down by higher advertising and promotion costs, and in some cases, by expenses related to acquisition activity.

Aftertax profits of food chains averaged 1 percent of sales in the first 9 months of 1986, compared with

What a dollar spent on food paid for in 1986



Includes food at home and away from home. Other costs include property taxes and insurance, accounting and professional services, promotion, bad debts, and many miscellaneous items.

Food industry aftertax profit margins declined

Year	Food manufac- turers	Retail food chains	Food manufac- turers	Retail food chains
	-Percent of sales-		Percent of stockholder equity	
1980	3.4	0.9	14.7	13.7
1981	3.1	1.0	13.6	13.9
1982	3.1	.9	13.0	12.7
1983	3.3	1.1	12.3	13.6
1984	3.3	1.4	13.3	17.3
1985	4.1 ¹	1.3	15.3 ¹	14.5
1985 (9 months)	4.0 ¹	1.2	14.8 ¹	13.7
1986 (9 months)	3.9 ¹	1.0	14.7 ¹	11.3

¹Not comparable with earlier years because the tobacco industry has been included in the food industry data.

1.2 percent a year earlier. Returns on stockholder equity also went down. However, profit margins of food chains in 1984 and 1985 were above the traditional industry standard from healthy sales gains, relatively stable labor costs, and economies resulting from closing inefficient stores and improving inventory management. Last year's lower margins partly resulted from two companies' extraordinary losses related to the sale of some operations and a restructuring program.

Food Costs Increased Less Than Income

Food costs rose, but not as much as total consumer income. A declining proportion of income spent for food, leaving more money for other things, is an often-used indicator of a rising standard of living.

In 1986, food spending (for domestically produced as well as imported food, fish, and shellfish) was 14.7 percent of total personal disposable income, based upon data reported by the Department of Commerce. That was about the same as in 1985. However, this percentage has declined over the years because personal income has risen more than food expenditures. The 1986 share compares with 15.8 percent in 1980 and 16.3 percent 10 years ago. Moderating food price inflation and increased disposable income

Consumers spent less of their income on food

Year	Disposable personal income	Expenditures for food	Proportion of income spent on food
	-----Billion dollars-----		Percent
1966	525.9	94.7	18.0
1976	1252.6	204.6	16.3
1980	1918.0	303.5	15.8
1982	2261.4	349.3	15.4
1984	2670.6	396.9	14.9
1986	2973.7	437.1	14.7

Source: Department of Commerce, Bureau of Economic Analysis. Percentages compiled by ERS.

reduced the share of income spent on food in recent years.

The proportion of income spent on food varies widely by income levels. Based on 1984 data, the latest available by income group from a consumer expenditure survey by the Department of Labor, consumers with incomes before taxes between \$5,000 and \$9,999 spent 25.7 percent of their income for food, those with incomes between \$15,000 and \$19,999 spent 16.7 percent, whereas consumers with incomes between \$30,000 and \$39,999 spent 11.6 percent.

Would You Like More Detailed Information?

This report is based on a more detailed report, *Food Cost Review, 1986*, to be published in the summer. In addition to reporting on recent developments in food prices, farm-to-retail price spreads, food spending, profits, and marketing costs in the food industry, it discusses price spread changes for leading food items such as Choice beef, milk, and bread. It also includes statistical tables and charts.

To receive ordering information when the report is issued, send your name and address to Food Market Analysis, Room 1137, Economic Research Service, USDA, 1301 New York Avenue N.W., Washington, DC 20005-4788. Call Denis Dunham at (202) 786-1870 if you need further information.

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